

EPRC MONTHLY NEWSLETTER

JUNE-JULY 2009

Seminar on Public Private Partnerships for Infrastructure Investment in Mongolia

At the request of the Ad Hoc Parliamentary Committee on Public-Private-Partnerships (PPPs), EPRC teamed up with The World Bank Institute, The Asian Development Bank (ADB) Institute and the Ad Hoc Parliamentary Committee on PPPs to hold a two-day PPP seminar on 2 and 3 July at the Government House.

The seminar brought together Mongolian and international experts and decision makers from the public and private sectors to examine, discuss, and learn from best international practices in PPPs for mobilizing private investment for infrastructure projects. Objectives of the program were to:

- Identify priority sectors and potential PPP projects in infrastructure investment in the context of Mongolia's economic growth trends
- Apply lessons learned from international experience to develop an enabling legal, regulatory, and institutional environment to attract private investment and make projects 'bankable' by proper risk allocation
- Discuss and develop priority policy actions required in Mongolia to develop an enabling environment for PPP infrastructure projects in the transportation and energy sectors.

Mr. Amarjargal, Member of Parliament and Chair, Ad-Hoc Committee on PPPs along with Mr. Khashchuluun reiterated the Government of Mongolia's (GoM) commitment to implementing PPPs as part of the GoM Action Plan for 2008 – 2012 and both cited the importance of openness, transparency, equality and accountability in the PPP process.



Mr. Anthony Smith, International Legal Counsel, Pinsent Masons, LLP, Mr. Patricio Mansilla, PPP Expert, USAID/EPRC and Mr. Ganbaatar, Executive Director, Mongolia Employers Federation (MONEF) led a panel discussion on *PPPs for Infrastructure: Modalities and Approaches*. The panel and subsequent group discussion concluded that Mongolia can learn from its mistakes, including the recent failure of the CHP #5 procurement by ensuring that risks are properly allocated and terms for proposed PPPs are perceived as fair, with proper risk allocation in a predictable operating environment. Mr. Mansilla's presentation on *Global PPP Approaches* provided the audience with alternative approaches and international examples of PPP implementation that could be applied to improve the PPP process in Mongolia.

Further discussions on the PPP legal, regulatory and institutional framework provided the audience with key issues to consider for a PPP legal framework in addition to examples from UK and Korea and the next steps Mongolia must take to formalize its own PPP policy framework. The final discussion described sources and trends in infrastructure financing and experiences from Asia and the rest of the world. Mr. Joe Chang, Executive Director, Morgan Stanley Infrastructure Fund, reiterated the significance of transparency and proper risk allocation for successful PPPs and highlighted the importance of a country's overall investor friendliness and the need to prioritize projects and treat them as a



The first day of the program focused on *'Infrastructure Development and Financing'* and examined links between Mongolia's economic development and the potential for PPPs, experiences from other countries in attracting private investment for infrastructure financing, and legal, regulatory and institutional requirements for doing so.

comprehensive portfolio of projects as opposed to ad-hoc transactions. This is required to build and maintain credibility and investment confidence in Mongolia.

The second day covered 'Policies for Creating an Enabling Environment for PPP Infrastructure Investment in Mongolia' and began with opening remarks from Mr. Zorigt D., Minister of Mineral Resources and Energy, and with Mr. Battulga Kh., Minister of Transport and Urban Development. Both Ministers commented on the dire need for investment to upgrade obsolete or inefficient railway, road and energy infrastructure and the particular importance of these infrastructure investments to support Mongolia's mining industry. Experts and seminar participants continued to discuss the potential of specific concrete priority projects in Mongolia, including the re-bid of CHP #5 and the development of a logistics park and road-to-rail transshipment facilities in Zamyn Uud.

Major recommendations of the seminar included:

- Building of consensus around the draft Concessions Law and a proper PPP policy framework
- Development of a portfolio of potential PPP projects and working with the National Development and Innovation Committee (NDIC) to prioritize these and not treat PPPs as ad-hoc transactions
- Consensus on the institutional locus and mandate for a PPP unit responsible for management and implementation of the PPP portfolio
- The importance of proper risk allocation among parties and a predictable operating environment to attract and retain investments.

At the conclusion of the Seminar, the audience was informed that Cabinet had submitted the draft Concession Law to Parliament and that it will have priority for consideration during the fall session. The project will provide assistance to help develop a consensus around key amendments that will be required to bring the current draft law into closer conformity with best international practices to facilitate private investment by proper recognition and allocation of risks.

Mortgage Market Development issues roundtable discussion held

In collaboration with the International Finance Corporation (IFC) and the Mongolian Mortgage Corporation (MIK), EPRC co-sponsored a roundtable discussion of mortgage market issues on Saturday 20 June at Ikh Tenger. Participants included IFC housing finance experts, members of Parliament, MIK board members and representatives from commercial banks, Mongol Bank (BoM) and EPRC.

EPRC delivered presentation on mortgage down-payment supplements as a possible mechanism to support affordable housing for Mongolians, generating a discussion on the means to introduce liquidity into the banking system. MIK chairman, Mr. Randolph Koppa, CEO of the Trade and Development Bank (TDB), gave a presentation on the current condition of the housing financing market in Mongolia and outlined potential growth of MIK activities. Executive director of MIK, Ms. Enkhbayar, introduced MIK's vision and mission statement. IFC consultants provided information on international experiences establishing mortgage financing institutions and common challenges and opportunities facing developing countries in the development of mortgage markets.



Roundtable discussions provided a forum for open dialogue between Mongol Bank, MIK, commercial banks, Parliament members and international financial organizations about the current mortgage market and ways to increase opportunities for Mongolian citizens to access affordable housing financing to purchase their own homes.



Parliament members and the Head of the Legal Standing Committee, Mr. Enkhbayar, promised that the Legal Standing Committee was reviewing the draft Mortgage Law and as Mr. Enkhbayar hoped, the law was approved towards the end of the spring Parliament session.

MCGDC holds first General Members Meeting and first Board Meeting

The Mongolian Corporate Governance Development Center (MCGDC) convened its first general members meeting on

Tuesday 2 June 2009 at Khan Bank. Twenty individual members of the Center (out of the 32) attended the meeting, forming a quorum. The members in attendance elected nine board members and approved MCGDC's charter and business plan for 2009 and 2010.



MCGDC's membership consists of professionals or trainers who completed the Training of Trainers course through MCGDC and executives who completed the first Directors Training, held in February and March of 2009 respectively. Institutional members include Khan Bank, XacBank, Golomt Bank and Tuul Songino Water Resource Joint Stock Company.

MCGDC's first board meeting was held on 5 June. The board appointed Mr. Unenbat as Executive Director of MCGDC and Ms. Tsend Ayush, an instructor from the Institute of Finance and Economics (IFE), was appointed as the Center's general secretary for a one-year term.

GASI inspectors attend workshop on public communications

On 11-12 June, in collaboration with the Press Institute, EPRC sponsored a two-day workshop for inspectors of the General Agency for Specialized Inspection (GASI) on 'Public Relations and Communications.'



Fifteen GASI inspectors from the Ulaanbaatar District and Dornogobi aimag departments attended the workshop aimed at providing a basic understanding of how to communicate

constructively with the general public to build an understanding about GASI's role and functions and to create a positive relationship with citizens.

In advance of the workshop, the Press Institute's communications and public relations specialists conducted an assessment to evaluate the level and quality of current public relations and communications activities implemented by GASI. Based on the results of the assessment, the Press Institute custom designed training materials to address the agency's specific communications needs. The assessment will also assist the agency to implement measures to improve its public relations programs.

The training included presentations on 'What is public communication and how does it differ from advertising and marketing,' 'How to write a good press release,' 'Public communication through media,' 'How to build positive relations with the media' and other relevant topics to build inspectors' understanding of how to communicate effectively and to enable the expansion of communications efforts beyond the sole media officer of the agency.

The Press Institute will conduct a post-workshop assessment of the level and quality of public communications and public relations in order to evaluate the impact and any behavior change resulting from the workshop. The workshop was organized within the framework of the MoU signed between EPRC and GASI to improve the agency's overall performance and quality of service.

Journalists' workshop held on corporate governance and its relevance to Mongolia's competitiveness

On 30 June in collaboration with the Press Institute and the Mongolian Corporate Governance Development Center (MCGDC), EPRC sponsored a corporate governance workshop for journalists. Twenty-eight journalists from ten daily and weekly newspapers, nine TV stations, two radio stations, one magazine, one online news source and one agency attended the workshop.



USAID/EPRC corporate governance expert, Dr. Yener, and MCGDC Executive Director, Mr. J. Unenbat, Deputy Chairman

and Commissioner of the Financial Regulatory Commission, Ms. Dugerjav and USAID/EPRC Financial Analyst Ms. Khangal D., provided presentations on the importance of corporate governance to Mongolia's competitiveness and moderated discussion and case study analysis with Press Institute instructors. The training was designed to build journalists' understanding of fundamental corporate governance principles, including transparency, accountability, responsibility and fairness and to enhance analytical reporting skills on corporate governance topics while raising public awareness about MCGDC.

Divided into small discussion groups, journalists addressed three thought-provoking questions, including; 'To the best of your knowledge, please consider some of the critical issues Mongolian companies experience in attracting new domestic and international capital, achieving growth, and job creation?'; 'What are the main issues faced by companies listed on the Mongolian Stock Exchange?'; and 'What are the main corporate governance related issues for family-owned or small enterprises in Mongolia?' Group presentations and a larger group discussion ensued where journalists exchanged ideas and debated questions regarding how corporate governance impacts economic growth and activity.



Journalists also engaged in interactive activities and discussed international and domestic case study examples of the application of corporate governance principles, including a "Comparative Analysis of Leading Mongolian Companies Regarding Transparency and Disclosure," "The Board at a family owned Mongolian company" and "Corporate Fraud at Satyam Corp., India: Transparency, accountability, and responsibility of corporate executives." The workshop concluded with sharing the highlights of an October 2008 assessment of Mongolia's corporate governance environment and a panel discussion on the legal and regulatory framework for corporate governance in Mongolia involving Ms. Dugerjav, Mr. Ünenbat, Dr. Yener and Mr. David Lawrence, IFC Mongolia Country Director.

Journalists agreed that Mongolian corporations must disclose more information to increase competitiveness and believed that MCGDC would play a key role in the effort to encourage the application of corporate governance principles in Mongolia. They found the workshop useful in providing information on corporate governance and improving their skills in analyzing and reporting on the implementation of corporate governance principles.

MCGDC holds second corporate governance *Train-the-Trainers* program

A group of twenty training specialists attended a Corporate Governance training-of-trainers program from 3-6 June 2009. Participants were from academic institutions, State Property Committee, Financial Regulatory Commission, leading private banks and other Mongolian public and private sector companies. Instructors, Dr. Yener and Mr. Ünenbat, delivered the fourteen-module course over a period of four full business days. Each module included a combination of lectures, mini cases, class discussions and break out-sessions.



The training session discussions involved open and lively debate among participants about corporate governance issues in Mongolia and possible approaches. Dr. Yener presented international best practices and the group discussed local implications for applying international best practices in corporate governance. The program closed by dividing the participants into five groups, each of which made a presentation on an actual corporate governance issue encountered in their respective professional environments along with proposed solutions.

Upon the completion of the four-day course, the participants received certificates, further strengthening MCGDC's training capabilities.

Journalist workshop held on GASI's role and function to serve Mongolia's citizens

Following a workshop to strengthen the General Agency for Specialized Inspection's (GASI) capacity to communicate effectively with the public, in collaboration with GASI and the



Press Institute, EPRC sponsored a one-day journalists' workshop on 19 June to raise awareness about the roles and responsibilities of GASI and to help explain its purpose, function and efforts to improve its services to the media and the public.

Twenty-three journalists from ten daily and weekly newspapers, six TV stations, three radio stations, and the MONTSAME Agency attended the training workshop. Topics covered included issues important to the environment and health and safety in Mongolia, such as environmental inspections and illegal logging, inspections of imported and exported goods and commodities, inspections in the construction sector and the legal environment for professional inspections and the rights and obligations of inspectors.



Journalists had particular interest in the presentation on 'Environmental inspections: the battle against illegal logging' by Mr. D. Tserendash, Senior Inspector for Environment, Geology and Mining, who highlighted challenges faced in controlling the situation and the irreversible damages to the environment occurring as a result of illegal logging. A presentation on the 'Outcomes of recent inspections in the construction sector' made by Mr. S. Bayaraa, Senior Inspector, State Department for Accounting, Labor and Social Welfare Inspections underscored the urgent need to enhance public awareness of inspections procedures and standards that should be enforced to protect citizen health and safety particularly in the construction sector. Mr. Bayaraa informed the journalists that compared to 2007, in 2008 the construction sector experienced a 98.4 percent increase of work-related accidents for a total of 61 accidents which affected 149 people and resulted in fatality in 63 cases. Mr. Bayaraa stressed the importance of inspections in the construction sector to enforce compliance with labor safety requirements and to decrease the incidence of work-related accidents.

Presentations by Mr. G. Nanzad, Head of Border Inspections in the Foreign Trade Inspections Department, on 'Inspections on

import & export goods and commodities' and Mr. Ch. Altantsooj, GASI expert, Legal Department, on the '*Legal environment for professional inspections: Rights and obligations of inspectors'* introduced journalists to the legal environment for professional inspections and explained the rights and obligations of inspectors.

The workshop also provided important information on the obstacles, needs and possibilities of GASI's communications with the media. GASI hopes to work more effectively with the media to build a better understanding of the agency's responsibilities so that the media can subsequently help the general public understand the importance of the agency's functions and promote increased compliance with inspections requirements that are meant to secure a healthy and safe environment for people living and working in Mongolia.

MCGDC organizes first workshop for corporate secretaries

Under the executive leadership of Mr. Ünenbat and with technical assistance from EPRC, MCGDC organized the first workshop for corporate secretaries on 2 July. This one-day course was specifically tailored to enhance the knowledge and expertise of Mongolian corporate secretaries to understand their role in enforcing and upholding corporate governance principles. This workshop was MCGDC's first revenue-generating activity, contributing to the Center's sustainability.

Participants included corporate secretaries and secretaries of Boards from Monos Group, Trade and Development Bank, Mobicom Corporation and Energy Resources LLC. The topics covered were intended to specifically build the capacity of the secretaries to understand better how to monitor and enforce corporate governance principles.

Instructors delivering the workshop were individuals previously certified as trainers through the MCGDC train-the-trainers program. The participants found the workshop beneficial and committed to uphold and propagate corporate governance principles in their respective corporations and on the boards they serve.

This Newsletter is a monthly electronic publication of EPRC project activities. Comments, suggestions, and requests for inclusion or deletion from our mailing list can be forwarded to: Editor, EPRC Newsletter, by e-mail fbertoli@epc-chemonics.biz or fax: (976-11) 32 78 25.